

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-346-WS**

IN RE:)	
)	AFFIDAVIT OF TERRY R. LEE
Application of Daufuskie Island Utility)	
Company, Inc. for Approval of an)	
Adjustment for Water and Sewer Rates,)	
Terms and Conditions.)	
_____)	

PERSONALLY APPEARED before me Terry R. Lee, who being duly sworn, testifies as follows:

1. I offer this Affidavit as testimony, under oath and under penalty of perjury, stating and affirming that I have personal knowledge of the facts set forth herein, that I am competent to testify to the matters set forth herein, and that all statements included herein are truthful and accurate.
2. I am the president of Daufuskie Island Utility Company, Inc. ("DIUC"). I have held that position since 2010.
3. In my role as president, I work closely with John Guastella who is the President of Guastella Associates, LLC ("GA").
4. GA is DIUC's manager. As DIUC's manager, GA keeps all the books and records, supervises employees of DIUC, and runs the utility.
5. Mr. Guastella and GA also assist DIUC with all rate filings. Mr. Guastella has extensive experience in rate setting which he uses to the benefit of DIUC.
6. I have had an opportunity to review the Report filed in this matter on August 21, 2020, by the South Carolina Office of Regulatory Staff, and I offer this Affidavit in response.
7. GA works for DIUC pursuant to a Management Agreement. That agreement is an arm's length agreement that was negotiated between GA and DIUC and its owners. GA did not have any unfair influence. The terms of the retention of GA are reasonable and incurred in good faith. The Report's suggestion that Mr. Guastella somehow "sits on both sides of the negotiating table" is ridiculous.

8. Although the Report directs its innuendo at Mr. Guastella and GA, it also implies that I do not properly protect DIUC's owners or customers in carrying out my duties as President of DIUC. That is not correct and should not be a part of any Report filed by a government office.
9. The ownership of DIUC is, and always has been, satisfied with the level of expert management and rate case and other services provided by GA. The Report seems to suggest that DIUC allows GA or John Guastella to freely make payments to GA without permission or approval of DIUC. That is not accurate.
10. I am in frequent contact with Mr. Guastella and am informed of all major decisions, including payment of GA invoices. I have access to the books and records and GA frequently updates the owners regarding all relevant matters of management and the status of the rate case.
11. These systems are part of the arms-length relationship between GA and DIUC. GA keeps the owners informed which allows the company to operate effectively. The owners review GA's reports and updates then seek additional information, if necessary, before making decisions. The owners have the final say in decisions. GA does not operate outside the permission(s) that I grant on behalf of the owners.
12. GA prepares its rate case invoices and submits them to DIUC. The owners are and have been fully informed as to the amount of GA's rate case charges. The invoices are and have been paid according to available cash flow. As the manager, GA's personnel write the checks on behalf of DIUC. These checks are, of course, properly recorded in the books so that at any time the owners can review them. There is nothing imprudent about this arrangement or this workflow, which has always been handled properly and in accordance with the management agreement.
13. DIUC is satisfied with the form and content of the DIUC rate case invoices. The format provides sufficient information for the owners to confirm the scope of work performed and the personnel handling the tasks.
14. I would also note that over the past four years, GA's willingness to forego payment on significant rate case expenses owed by DIUC is what allowed DIUC to survive. DIUC did not have sufficient cashflow to pay GA and GA waited to be paid. On occasions, GA even provided cash to DIUC in order to meet deadlines of payments due before the owners could infuse cash into DIUC.
15. Since 2008 when DIUC was acquired from Haig Point, Inc. we have faced several unique situations that created major cash flow shortages. After consultation with GA, the owners, at Mr. Guastella's advice, made it a priority to use available cash to provide service to the

customers, with charges by GA accrued instead of being paid on a current basis. For that same reason, the owners have never been paid any return on their investment

16. GA's delayed payments were booked as accounts payable. DIUC considered them to be due and payable. The fact that payment had to be made in the future does not mean that the costs were not incurred and/or that the costs were not going to be paid.
17. DIUC could not afford to pay GA invoices until after the first appeal, rehearing, and finally the Order on Rehearing which increased DIUC's rates. After implementing the higher rates DIUC had sufficient income from operations and a refinancing to begin paying its accounts payable to GA. Some invoices were four years old but GA did not charge interest or any late fees to DIUC. Instead, GA and John Guastella never quit fighting to obtain rates sufficient to keep the DIUC viable.
18. John Guastella and GA have been tremendous assets to DIUC enabling it survive and to provide reliable and quality service to its customers.

FURTHER AFFIANT SAYETH NOT.


Terry R. Lee

9-3-2020
Date

JASPER SC
County and State

SWORN before me this 3 day

of September 2020.


Notary Public for the State of South Carolina

My Commission Expires: 3/3/27